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THE RESTRUCTURING OF CALIFORNIA'S FINANCIAL AID PROGRAMS AND ITS SHORT-TERM AID POLICY



CALIFORNIA
POSTSECONDARY
EDUCATION
COMMISSION

Summary

The idea of “decentralizing” California State-funded and State-administered financial aid programs for college and university students -- that is, administering these programs by the State’s individual systems of higher education rather than continue to have them all administered by the California Student Aid Commission -- is currently receiving much discussion. In this report, the Commission states its opinion on this issue and makes recommendations concerning four issues that need to be resolved should the State decide on decentralization.

The Commission supports decentralization for several reasons -- in particular, “in order to reduce the confusion associated with the availability of student financial aid, as well as to direct as much of the State’s limited resources as possible to providing aid to California residents enrolled in its postsecondary institutions.” It also offers its recommendations regarding answers to these four questions:

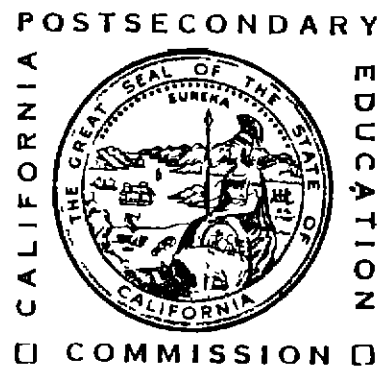
- 1 How should the presently State-funded financial aid monies be distributed among the educational systems?
- 2 Should these funds remain a separate appropriation in the State Budget Act in future years?
- 3 How much responsibility should the State General Fund have for providing financial aid funds in the future?
- 4 Once decentralized, how should the previously State-funded financial aid monies be distributed to students within each system?

The Commission adopted this report at its meeting on April 19, 1993, on recommendation of its Ad Hoc Committee on the Financing and Future of California Higher Education. Additional copies of the report may be obtained from the Commission at 1303 J Street, Suite 500, Sacramento, California 95814-2938.

THE RESTRUCTURING OF CALIFORNIA'S FINANCIAL AID PROGRAMS AND ITS SHORT-TERM AID POLICY

*Recommendations of the California
Postsecondary Education Commission*

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1303 J Street ♦ Suite 500 ♦ Sacramento, California 95814-2938





COMMISSION REPORT 93-7
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THE RESTRUCTURING OF CALIFORNIA'S FINANCIAL AID PROGRAMS AND ITS SHORT-TERM AID POLICY

Reasons for reconfiguring existing student aid programs

Given the unprecedented increases in student fees at California's public colleges and universities and the unfortunate likelihood of continued increases in the foreseeable future, effective student financial aid programs are imperative if the State is to ensure that all State citizens have equal access to the educational opportunities offered by its public and independent colleges and universities

Three fundamental problems exist with the structure of the State's existing student aid programs

- The first relates to the configuration of these programs, since some are administered at the statewide level while others are administered at the institutional level (Display 1 on page 2 shows the amount of statewide and institutional need-based grant aid available in California's three systems of public higher education over the past three years)
- The second is that a number of different programs exist, all with essentially the same purpose -- to assist needy students in meeting the cost of college attendance
- The disposition of resources for financial aid in various budget items inhibits the State from determining the gap between the amount of aid needed and the amount appropriated

These three factors -- the configuration of the programs, the number of them, and the incapacity to determine the gap between the amount of funds available for financial aid and the amount needed -- not only complicate students' and the State's understanding of the availability of financial aid, but also increase the administrative costs associated with delivery of aid because each program possesses its own specific regulations, eligibility criteria, record keeping, and reporting requirements

Recommendation on the structure of the State's student financial aid programs

In order to reduce the confusion associated with the availability of student financial aid, as well as to direct as much of the State's limited resources as possible to providing aid to California residents enrolled in its postsecondary institutions, the Commission recommends that all existing State-funded and administered programs -- including the Cal Grant A, B, and C Programs, the Graduate Student Fellowship Program, the State Work-Study Program, and the Law Enforcement Personnel Dependents Grants Program -- be decentralized to allow each system to administer these funds following the general criteria outlined below rather than continuing to have these programs administered at the State level This change will reduce

DISPLAY 1 *Need-Based Grant Aid for Undergraduate and Graduate Students in California Funded by the State and Its Public Segments, 1990-91 through 1992-93, with Dollars in Thousands*

<u>Year and Type of Aid</u>	<u>University of California^a</u>	<u>The California State University</u>	<u>California Community College</u>	<u>Independent Colleges and Universities</u>	<u>Total</u>
1990-91					
Administered by the Student Aid Commission ^a	\$40,910	\$28,787	\$14,716	\$64,315	\$148,728
Institutionally Administered	<u>\$48,969</u>	<u>\$32,834^c</u>	<u>\$20,659^d</u>	<u>-0-</u>	<u>\$102,462</u>
Total Need-Based Aid Funded by the State and the Public Segments	\$89,879	\$61,621	\$35,375	\$64,315	\$251,190
1991-92					
Administered by the Student Aid Commission ^a	\$54,653	\$30,062	\$15,810	\$60,195	\$160,720
Institutionally Administered	<u>\$70,077</u>	<u>\$47,592^c</u>	<u>\$25,901^d</u>	<u>-0-</u>	<u>\$143,570</u>
Total Need-Based Aid Funded by the State and the Public Segments	\$124,730	\$77,654	\$41,711	\$60,195	\$304,290
Percentage Change, 1990-91 to 1991-92					
Administered by the Student Aid Commission	34%	4%	7%	-6%	8%
Institutionally Administered	43%	45%	25%	N A	40%
Total Need-Based Aid Funded by the State and the Public Segments	39%	26%	18%	-6%	21%
Mandatory Fees	40%	20%	20%	N A	N A
1992-93					
Administered by the Student Aid Commission ^a	\$46,356	\$25,691	\$13,451	\$52,363	\$137,861
Institutionally Administered	<u>\$91,688</u>	<u>\$86,648^c</u>	<u>\$39,890^e</u>	<u>-0-</u>	<u>\$218,226</u>
Total Need-Based Aid Funded by the State and the Public Segments	\$138,044	\$112,339	\$53,341	\$52,363	\$356,087
Percentage Change, 1991-92 to 1992-93					
CSAC Administered	-15%	-15%	-15%	-13%	-14%
Institutionally Administered	31%	82%	54%	N A	52%
Total Need-Based Aid Funded by the State and the Public Segments	11%	45%	28%	-13%	17%
Mandatory Fees	24%	40%	67% ^f	N A	

Source Except as noted, all information is from "Student Financial Aid in California by Segment, Program, and Source," published by the California Student Aid Commission

Notes

- a Includes support for Cal Grant A, B, and C programs and the Graduate Fellowship program, amounts are subject to change as claim registers are reconciled and submitted to CSAC
- b All UC information from the Office of the President, University of California, institutionally administered funds reflect need-based financial aid supported by UC General Funds and Education Fee revenue
- c Includes funding for the State University Grant and Educational Opportunity Programs.
- d Includes funding for the Board of Governors, EOPS, and CARES Grants
- e Includes \$30.6 million in the Board of Governors program rather than the \$28.5 million in the California Student Aid Commission publication, also includes funding for the EOPS and CARE Grants
- f Reflects fee increase from \$6 to \$10 per unit effective January, 1993. Fee increase greater for students enrolled in more than 10 units since cap on fees was removed in conjunction with this fee increase

the administrative costs of financial aid programs and, as a consequence, should assist more needy students in attending California's postsecondary education institutions

If decentralization of these programs occurs, the Commission believes that the following four questions must be addressed

- 1 How should the presently State-funded financial aid monies be distributed among the educational systems?
- 2 Should these funds remain a separate appropriation in the State Budget Act in future years?
- 3 How much responsibility should the State General Fund have for providing financial aid funds in the future?
- 4 Once decentralized, how should the previously State-funded financial aid monies be distributed to students within each system?

The Commission offers the following answers to these questions and believes that these recommendations should be incorporated into State policy if decentralization of the State-funded programs occurs

**Distribution
among the systems**

How should the presently State-funded financial aid monies be distributed among the educational systems?

Initially, the Commission believes that the State-funded financial aid monies should be distributed to the systems based on the average percentage each received over the past three year period. This amount shall serve as the base funding under the program for each system and should not be reduced in future years. The Commission is in the process of working with a broad-based advisory committee to develop a recommendation concerning how additional General Fund aid monies allocated to the program in the future would be distributed among the various educational systems

**Inclusion in the
State budget**

Should these funds remain a separate appropriation in the State Budget Act in future years?

The Commission believes that the decentralized aid funds should continue to be displayed as a separate budget item within the Governor's proposed State Budget as well as separately allocated in the State Budget Act. Further, the Commission recommends that, within the Governor's Budget, his presentation for this item should include information about the total amount of monies available for need-based financial aid in each higher education system, as well as an estimate of the amount required to provide assistance to all financially needy students

**Responsibility
of the State
General Fund**

How much responsibility should the State General Fund have for providing financial aid funds in the future?

The Commission believes that the State should develop a long-term student financial aid policy premised on the following principles

Long-term policy principles

- ♦ The primary purpose of State- and student-funded financial aid programs should be to further California's goals of providing access and encouraging student achievement in its public and independent colleges and universities Specifically
 - 1 State- and student-funded financial aid programs should be designed to ensure that all State citizens regardless of economic circumstances have equal access to the educational opportunities offered by California's public and independent colleges and universities
 - 2 State- and student-funded financial aid programs should be designed to assist students in making timely and satisfactory progress toward their educational objectives
 - 3 Financial aid programs should provide qualified students with an ability to choose among the variety of California's higher education institutions without regard to the tuition and/or fee charged by the institution
- ♦ California's student financial aid policy should recognize the total cost of attendance, not simply the student fee level
- ♦ California's student aid program should supplement the federal Pell Grant program and privately funded, non-institutional financial aid that a student may receive
- ♦ In addition, the policy should reflect that, for financially needy students, financing the cost of college attendance is a shared responsibility The student and his/her family, the State, and the Federal government should all share the responsibility for financing the costs of college attendance for needy students Further, each of these parties -- the student and his/her family, the State, and the Federal government -- should each be required to provide some portion of support depending upon the student's level of financial need
- ♦ Further, the policy should ensure that all qualified students have choice among California's higher education institutions
- ♦ The policy should provide that the largest grants be awarded to those students who demonstrate the greatest financial need
- ♦ Finally, the policy should ensure that all students with the same level of financial need are treated equitably regardless of the system in which they are enrolled

The Commission is in the process of working with a broad-based advisory committee to develop a recommended long-term student financial aid policy for the State -- to be effective in 1995-96 -- and hopes to offer its recommendations on such a policy in the near future

Short-term policy

Prior to developing a long-term policy recommendation, the Commission believes

that, in the short-term through 1994-95, the State should be required to augment its decentralized financial aid budget item by an amount sufficient to fully cover the increase in student fees at its public institutions for all financially needy students. Providing an adequate level of student financial aid is a State responsibility and, therefore, the State must provide these monies if it is to fulfill its responsibilities and honor its commitments to providing access to all students regardless of economic circumstances. Stated differently, the State must commit the resources needed to provide an adequate level of student financial aid in order to preserve access to postsecondary education to those State residents least able to afford the cost of college attendance, especially those needy students from backgrounds historically underrepresented in higher education. Further, the State must indicate its intent to provide this aid sufficiently in advance of the academic year in order that all students can take advantage of access to its public institutions.

Should the State be unable or unwilling to augment its decentralized financial aid budget item, this should be regarded as an explicit decision by the Governor and Legislature to retreat from the Master Plan's principle of providing access to higher education for low-income students. Because this decision will disproportionately affect financially needy students, a majority of whom are from backgrounds historically underrepresented in higher education, the Commission recommends -- in the short term -- that the public systems augment their own institutional financial aid budgets from institutional resources. It is the Commission's intent that sufficient funds be provided to ensure that any increase in student charges does not have a disproportionate impact on students from low-income backgrounds who typically came from those racial-ethnic groups historically underrepresented in higher education. In making this recommendation, the Commission recognizes that, if the systems provide financial aid funds from their own resources, such funds will not be available for other purposes.

Because of this lack of availability, overall enrollment at the State's public universities may be reduced in order to enable them to maintain quality educational services for those students who are enrolled. Should such enrollment reductions occur, those reductions would be a direct result of the Governor and Legislature's decision to provide insufficient funding for financial aid purposes. While the Commission believes that reducing enrollments may be the unfortunate result of the State's current economic conditions and political priorities, such action does not disproportionately affect a specific group of students. Underfunding of financial aid, on the other hand, would disproportionately affect low-income students who tend to be from backgrounds historically underrepresented in higher education -- a consequence that is antithetical to State and Commission policy.

Distribution to students *Once decentralized, how should the previously State-funded financial aid monies be distributed to students within each system?*

The Commission believes that the State's role in determining how financial aid monies should be distributed to students should be limited to the following guidelines:

- ♦ All recipients should be in attendance at an accredited public or independent college or university
- ♦ The student should demonstrate financial need, according to the federal government's needs analysis standards
- ♦ Undergraduate and graduate students may continue to receive grants -- be it from decentralized or institutional funds -- as long as they meet satisfactory academic progress standards used by institutions to measure student eligibility for federal Title IV financial aid programs
- ♦ Students should not receive a State-funded grant -- be it from decentralized funds or institutional funds -- if they are not California residents
- ♦ Undergraduate and graduate students should not receive grants -- be it from decentralized funds or institutional funds -- if they are enrolled and have completed more than the minimum number of units required to earn a degree in their chosen field of study
- ♦ Students pursuing a teaching credential as well as graduate students should be eligible for grants if they meet the other eligibility requirements outlined above

In terms of the size of the grant award, the Commission believes that the systems should target the greatest grant aid to those students with the greatest financial need. By determining the size of the needy student's grant on the basis of his/her family's ability to pay, the systems should provide the largest grants to their neediest students, while less needy students should receive smaller grants. Thus, the largest awards should be provided to those students who demonstrate the greatest financial need. Further, the largest grant awards need not be limited to the tuition/fee level of the institution, but may also cover a portion of the subsistence costs for the neediest students.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature

Members of the Commission

The Commission consists of 17 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Six others represent the major segments of postsecondary education in California. Two student members are appointed by the Governor.

As of February 1995, the Commissioners representing the general public are

Henry Der, San Francisco, *Chair*
C. Thomas Dean, Long Beach
Elaine Alquist, Santa Clara
Mim Andelson, Los Angeles
Jeffrey I. Marston, San Diego
Guillermo Rodriguez, Jr., San Francisco,
Vice Chair

Melinda G. Wilson, Torrance
Linda J. Wong, Los Angeles
Ellen F. Wright, Saratoga

Representatives of the segments are

Roy T. Brophy, Fair Oaks, appointed by the Regents of the University of California,
Yvonne W. Larsen, San Diego, appointed by the California State Board of Education,

Alice Petrossian, Glendale, appointed by the Board of Governors of the California Community Colleges,

Ted J. Saenger, San Francisco, appointed by the Trustees of the California State University, and

Kyhl Smeby, Pasadena, appointed by the Governor to represent California's independent colleges and universities, and

vacant, representing the Council for Private Postsecondary and Vocational Education

The two student representatives are

Stephen Leshner, Meadow Vista
Beverly A. Sandeen, Costa Mesa

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory body to the Legislature and Governor, the Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any of them. Instead, it performs its specific duties of planning, evaluation, and coordination by cooperating with other State agencies and non-governmental groups that perform those other governing, administrative, and assessment functions.

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, its meetings are open to the public. Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Warren Halsey Fox, Ph.D., who is appointed by the Commission.

Further information about the Commission and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 95814-2938, telephone (916) 445-7933 or Calnet 485-7933, FAX (916) 327-4417.



THE RESTRUCTURING OF CALIFORNIA'S FINANCIAL AID PROGRAMS AND ITS SHORT-TERM AID POLICY

Commission Report 93-7

ONE of a series of reports published by the California Postsecondary Education Commission as part of its planning and coordinating responsibilities. Single copies may be obtained without charge from the Commission at 1303 J Street, Fifth Floor, Sacramento, California 95814-2938. Recent reports include

- 92-25** *Meeting the Challenge: Preparing for Long-Term Change in California Higher Education*, by Warren H. Fox. Report of the Executive Director to the California Postsecondary Education Commission, August 24, 1992 (August 1992)
- 92-26** *California College and University Exchange Programs with Mexico: A Staff Report in Response to a Request from the 1991 United State-Mexico Border Conference on Education* (October 1992)
- 92-27** *Appropriations in the 1992-93 State Budget for Higher Education: A Staff Report to the California Postsecondary Education Commission* (October 1992)
- 92-28** *Legislation Affecting Higher Education During the Second Year of the 1991-92 Session: A Staff Report to the California Postsecondary Education Commission* (October 1992)
- 92-29** *Eligibility and Participation in California's Public Universities in the Year 2000: Projections by the Staff of the California Postsecondary Education Commission* (October 1992)
- 92-30** *Proposed Construction of Folsom Lake College in the Los Rios Community College District: A Report to the Governor and Legislature in Response to a Request from the Chancellor's Office of the California Community Colleges* (December 1992)
- 92-31** *Proposed Construction of the Lompoc Valley Center in the Allan Hancock Joint Community College District: A Report to the Governor and Legislature in Response to a Request from the Chancellor's Office of the California Community Colleges* (December 1992)
- 93-1** *Legislative and State Budget Priorities of the Commission, 1993: A Report of the California Postsecondary Education Commission* (February 1993)
- 93-2** *Expenditures for University Instruction: A Report to the Governor and Legislature in Response to Supplemental Report Language for the 1991 Budget Act* (April 1993)
- 93-3** *Faculty Salaries in California's Public Universities, 1993-94: A Report to the Legislature and the Governor in Response to Concurrent Resolution No. 51 (1965)* (April 1993)
- 93-4** *Executive Compensation in California's Public Universities, 1992-93: A Report to the Governor and Legislature in Response to the 1992 Budget Act* (April 1993)
- 93-5** *Status Report on Human Corps Activities, 1992: The Last in a Series of Five Progress Reports to the Legislature in Response to Assembly Bill 1820 (Chapter 1245, Statutes of 1987)* (April 1993)
- 93-6** *The Master Plan, Then and Now: Policies of the 1960-1975 Master Plan for Higher Education in Light of 1993 Realities* (April 1993)
- 93-7** *The Restructuring of California's Financial Aid Programs and Its Short-Term Aid Policy: Recommendations of the California Postsecondary Education Commission* (April 1993)
- 93-8** *Undergraduate Student Charges and Short-Term Financial Aid Policies at California's Public Universities: Recommendations of the California Postsecondary Education Commission* (April 1993)